

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2010 AND 2009

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA

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CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA

## OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
Ken Slater	Chairperson	Cherokee
Roger Smith	Vice-Chairperson	Meriden
Jeff Bowen	Board Member	Aurelia
Bud Clow	Board Member	Cherokee County
Les Pedersen	Board Member	Cleghorn
Dan James	Board Member	Larrabee
Steve Galigan	Board Member	Marcus
Tim Preuss	Board Member	Quimby
Don Parrott	Board Member	Washta
Don Pitts	Manager	
Julie Mugge	Assistant Manager	
John Loughlin, Jr.	Attorney	

# BURKHARDT & DAWSON

## Certified Public Accountants

DONNA R. BURKHARDT, CPA  
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Cherokee, Iowa 51012-1065

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### INDEPENDENT AUDITORS' REPORT

To the Members of  
Cherokee County Solid Waste Commission

We have audited the accompanying financial statements of Cherokee County Solid Waste Commission, as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cherokee County Solid Waste Commission at June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2010 on our consideration of the Cherokee County Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

BURKHARDT & DAWSON, CPA's

  
Certified Public Accountants

November 19, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Cherokee County Solid Waste Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

- \* The Commission's operating revenues increased 4.6% or \$81,377, from fiscal 2009 to fiscal 2010. Miscellaneous income and recycling sales increased. City fees, county fees and individual fees decreased.
- \* The Commission's operating expenses were 12%, or \$215,615, more in fiscal 2010 than in fiscal 2009.
- \* The Commission's net assets decreased 12.2%, or \$328,194, from June 30, 2009 to June 30, 2010.

### USING THIS ANNUAL REPORT

The Cherokee County Solid Waste Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Cherokee County Solid Waste Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues and Expenses is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## FINANCIAL ANALYSIS OF THE COMMISSION

### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets at the end of fiscal 2010 totaled approximately \$2,512,000. This compares to approximately \$2,678,000 at the end of fiscal 2009. A summary of the Commission's net assets is presented below.

	2010	2009
Current Assets	\$ 541,914	\$1,265,870
Restricted Investments	400,122	338,479
Capital Assets at Cost, Less Accumulated Depreciation	5,652,398	5,371,378
Other Assets	<u>59,046</u>	<u>62,407</u>
TOTAL ASSETS	<u>\$6,653,480</u>	<u>\$7,038,134</u>
Current Liabilities	\$ 603,639	\$ 491,104
Long Term Debt	2,541,951	2,829,071
Other Liabilities	<u>1,158,350</u>	<u>1,040,225</u>
TOTAL LIABILITIES	<u>\$4,303,940</u>	<u>\$4,360,400</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt (Including Contributed Capital of \$820,000)	\$2,672,850	\$2,258,545
Restricted	485,908	476,664
Unrestricted	<u>(809,218)</u>	<u>(57,475)</u>
TOTAL NET ASSETS	<u>\$2,349,540</u>	<u>\$2,677,734</u>

The unrestricted portion of the Commission's net assets is a deficit balance at June 30, 2010. The amount invested in capital assets (e.g. land, buildings and equipment), less the related debt portion of net assets (113%) are resources allocated to capital assets. The remaining net assets are restricted for closure and postclosure care, tonnage fees due to the State of Iowa, and Board designated funds. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

## Statement of Revenues and Expenses

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income, rental income and rental expenses. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues and expenses for the years ended June 30, 2010 and 2009 is presented below:

## REVENUES AND EXPENSES

	<u>YEAR ENDED JUNE 30,</u>	
	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:		
Counties Fees	\$ 828,765	\$ 866,954
Cities Fees	307,814	321,999
Sanitary Services Fees	136,920	122,520
Commercial	110,169	103,167
Wells Blue Bunny	84,044	100,024
Tyson Foods	74,508	46,891
Hy-Vee	4,773	5,364
Individuals	14,023	17,724
Specialty	2,844	7,704
Appliance Disposal	4,724	5,296
Miscellaneous	12,419	243
Sales:		
Cardboard	111,749	38,253
Plastics	33,456	31,293
Metals and Aluminum	45,621	34,336
Paper	46,434	39,588
Pellet Fuel	20,335	15,865
TOTAL OPERATING REVENUES	<u>\$1,838,598</u>	<u>\$1,757,221</u>
OPERATING EXPENSES:		
Salaries	\$ 658,183	\$ 616,993
Payroll Tax Expense	89,366	84,020
Directors and Management Fees	2,769	5,910
Newspaper Purchased	10,469	11,118
Shop Supplies and Expenses	26,768	33,524
Insurance	133,492	111,738
Medical Insurance	125,515	118,063
Vehicles Expense	27,467	27,966
Freight	7,408	21,516
Appliance Disposal Fees	7,990	10,280
Repairs - Building	7,840	4,842
Repairs - Equipment	29,948	9,753
Rock Expense	7,535	10,119
Landfill Fuel Expense	65,389	56,598
Landfill Expenses	43,257	74,875
Recycling Expense	20,492	68,251
PCB Clinic Expenses	16,230	17,228
Depreciation	318,921	229,327
Amortization	3,361	3,362
Utilities	88,637	72,154
Engineering and Testing	26,972	20,255
Iowa Department of Natural Resources		
Tonnage Fees	65,539	68,213
Equipment Rent	6,299	15,500
Leachate	17,487	27,878
Office Supplies and Postage	4,613	6,624
Dues and Subscriptions	383	253
Professional Services	24,054	16,225
Medical Reimbursements	8,138	0
License, Fees and Permits	1,735	1,679
Closure and Postclosure Care Costs	155,555	42,408
Miscellaneous Expense	1,251	776
TOTAL OPERATING EXPENSES	<u>\$2,003,063</u>	<u>\$1,787,448</u>
OPERATING (LOSS)	<u>\$ (164,465)</u>	<u>\$ (30,227)</u>



	YEAR ENDED JUNE 30,	
	2010	2009
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	\$ 10,541	\$ 46,684
Land and Rental House Income	5,625	6,056
Insurance Proceeds	4,127	2,868
Gain on Sale of Equipment	0	150,535
Rental House Insurance	(715)	(666)
Rental House Depreciation	(1,068)	(1,068)
Rental Land Property Taxes	(1,410)	(1,450)
Interest Expense	(180,829)	(177,953)
NET NON-OPERATING REVENUES (EXPENSES)	<u>\$ (163,729)</u>	<u>\$ 25,006</u>
(DECREASE) IN NET ASSETS	<u>\$ (328,194)</u>	<u>\$ (5,221)</u>

The Statement of Revenues and Expenses reflects a negative year with an decrease in the net assets at the end of the fiscal year.

In fiscal 2010, operating revenues increased by \$81,377, or 4.6%. Operating expenses increased by \$215,615, or 12%. The increase was primarily a result of operating cost and depreciation associated with the new pellet facility.

#### Statement of Changes in Net Assets

A summary of changes in the Net Assets for the years ended June 30, 2010 and 2009 is presented below:

	UNDESIG- NATED UN- RESTRICTED OPERATING FUND	INVESTMENT IN CAPITAL ASSETS	BOARD DESIG- NATED CAPITAL IMPROVE- MENTS/ EQUIPMENT FUND	RESTRICTED		TOTAL
				CLOSURE AND POST- CLOSURE FUND	DNR FEES RETENTION FUND	
Balance-June 30, 2008	\$1,752,073	\$ 444,922	\$136,124	\$304,166	\$ 45,670	\$2,682,955
Increase (Decrease) in Net Assets	(1,829,011)	1,813,623	2,580	7,313	274	(5,221)
Transfers -						
In	322,185	0	231,500	27,000	44,222	322,907
Out	(302,722)	0	(302,000)	0	(20,185)	(322,907)
Balance-June 30, 2009	\$ (57,475)	\$2,258,545	\$ 68,204	\$338,479	\$ 69,981	\$2,677,734
Increase (Decrease) in Net Assets	(748,266)	414,305	993	4,643	131	(328,194)
Transfers -						
In	119,679	0	24,000	57,000	42,156	242,835
Out	(123,156)	0	(74,679)	0	(45,000)	(242,835)
Balance-June 30, 2010	<u>\$ (809,218)</u>	<u>\$2,672,850</u>	<u>\$ 18,518</u>	<u>\$400,122</u>	<u>\$ 67,268</u>	<u>\$2,349,540</u>

#### Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financial activities includes principal repayments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposit and interest income.

## CAPITAL ASSETS

At June 30, 2010, the Commission had approximately \$5,653,000 invested in capital assets, net of accumulated depreciation of approximately \$2,741,000. Depreciation charges totaled \$319,989 for fiscal 2010. More detailed information about the Commission's capital assets is presented in Note 13 to the financial statements.

## LONG TERM DEBT AND OTHER LIABILITIES

At June 30, 2010, the Commission had \$3,987,421 in long-term debt and other liabilities outstanding, a decrease of \$165,637 from 2009. The table below summarizes outstanding debt and other liabilities by type.

	2010	2009
Note Payable - DNR	\$ 238,071	\$ 292,833
Note Payable - Cherokee County	\$2,590,000	\$2,820,000
Landfill Closure and Postclosure Care Cost	\$1,158,350	\$1,040,225

Additional information about the Commission's long-term debt and other liabilities is presented in Notes 3 and 12 to the financial statements.

## ECONOMIC FACTORS

Cherokee County Solid Waste Commission did not improve its financial position during the current fiscal year. The current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- \* Facilities at the Commission require constant maintenance and upkeep.
- \* The operating costs of the new pellet fuel recycling facility opened in fiscal year ended June 30, 2010.
- \* Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- \* Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues. The Commission is also continuing to monitor the costs for the landfill expansion and operating costs of the new pellet fuel recycling facility.

## CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cherokee County Solid Waste Commission, 1805 Linden Street, Cherokee, Iowa 51012.

## **Basic Financial Statements**

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
STATEMENTS OF NET ASSETS  
JUNE 30, 2010 AND 2009

ASSETS	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS:</b>		
Cash in Bank	\$ 18,347	\$ 21,223
Cash in Bank - Board Designated - Equipment	18,518	498
Cash in Bank - DNR Tonnage Fees	67,268	69,981
Certificates of Deposit	154,622	784,149
Certificate of Deposit - Board Designated - Roof	0	25,516
Certificate of Deposit - Board Designated - Equipment	0	42,190
Accounts Receivable - Governmental	37,999	74,718
Accounts Receivable - Others	215,318	174,170
Insurance Claim Receivable	0	2,868
Due From Employee	0	500
Accrued Interest Receivable	154	4,201
Prepaid Insurance	16,726	38,147
Prepaid Topcoat Expense	10,310	10,310
Cafeteria Plan	2,652	2,399
Downpayment on Equipment	0	15,000
<b>TOTAL CURRENT ASSETS</b>	<u>\$ 541,914</u>	<u>\$1,265,870</u>
<b>RESTRICTED INVESTMENTS:</b>		
Certificates of Deposit - Restricted - Closure and Postclosure Costs	\$ 399,807	\$ 337,737
Accrued Interest Receivable - Restricted	315	742
<b>TOTAL RESTRICTED INVESTMENTS</b>	<u>\$ 400,122</u>	<u>\$ 338,479</u>
<b>CAPITAL ASSETS:</b>		
Land	\$ 424,000	\$ 424,000
Buildings	2,191,207	2,191,507
Machinery and Equipment	4,167,358	3,951,294
Office Equipment and Furniture	15,132	15,132
Land Improvements	214,961	209,246
East Landfill	1,380,968	1,001,739
	<u>\$8,393,626</u>	<u>\$7,792,918</u>
LESS - Accumulated Depreciation	2,741,228	2,421,540
<b>NET CAPITAL ASSETS</b>	<u>\$5,652,398</u>	<u>\$5,371,378</u>
<b>OTHER ASSETS:</b>		
Investment - PCB Agency	\$ 18,421	\$ 18,421
Loan Fees	50,430	50,430
LESS - Accumulated Amortization	9,805	6,444
<b>TOTAL OTHER ASSETS</b>	<u>\$ 59,046</u>	<u>\$ 62,407</u>
<b>TOTAL ASSETS</b>	<u>\$6,653,480</u>	<u>\$7,038,134</u>

## LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 104,865	\$ 149,372
Payroll Taxes and Garnishments Payable	3,938	7,323
Sales Tax Payable	630	980
Accrued Salaries and Vacations Payable	44,225	36,408
Accrued Interest Payable	12,384	13,259
Note Payable - Central Bank	150,477	0
Current Maturities of Long Term Debt	<u>287,120</u>	<u>283,762</u>
TOTAL CURRENT LIABILITIES	<u>\$ 603,639</u>	<u>\$ 491,104</u>
LONG TERM DEBT:		
Notes Payable - DNR	\$ 239,071	\$ 292,833
Note Payable - Cherokee County	2,590,000	2,820,000
LESS - Current Maturities	<u>287,120</u>	<u>283,762</u>
TOTAL LONG TERM DEBT	<u>\$2,541,951</u>	<u>\$2,829,071</u>
OTHER LIABILITIES:		
Landfill Closure and Postclosure Care Costs	<u>\$1,158,350</u>	<u>\$1,040,225</u>
TOTAL NONCURRENT LIABILITIES	<u>\$3,700,301</u>	<u>\$3,869,296</u>
TOTAL LIABILITIES	<u>\$4,303,940</u>	<u>\$4,360,400</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt (Including Contributed Capital of \$820,000)	\$2,672,850	\$2,258,545
Restricted For:		
Tonnage Fees Retained	67,268	69,981
Closure	180,004	158,873
Postclosure Care	220,118	179,606
Board Designated	18,518	68,204
Unrestricted	<u>(809,218)</u>	<u>(57,475)</u>
TOTAL NET ASSETS	<u>\$2,349,540</u>	<u>\$2,677,734</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$6,653,480</u>	<u>\$7,038,134</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
STATEMENTS OF REVENUES AND EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:		
Counties Fees	\$ 828,765	\$ 866,954
Cities Fees	307,819	321,999
Sanitary Services Fees	136,920	122,520
Commercial	110,169	103,167
Wells Blue Bunny	84,044	100,024
Tyson Foods	74,508	46,891
Hy-Vee	4,773	5,364
Individuals	14,023	17,724
Specialty	2,844	7,704
Appliance Disposal	4,724	5,296
Miscellaneous	12,414	243
Sales:		
Cardboard	111,749	38,253
Plastics	33,456	31,293
Metals and Aluminum	45,621	34,336
Paper	46,434	39,588
Pellet Fuel	<u>20,335</u>	<u>15,865</u>
TOTAL OPERATING REVENUES	<u>\$1,838,598</u>	<u>\$1,757,221</u>
OPERATING EXPENSES:		
Salaries	\$ 658,183	\$ 616,993
Payroll Tax Expenses	89,366	84,020
Directors and Management Fees	2,769	5,910
Newspaper Purchased	10,469	11,118
Shop Supplies and Expenses	26,768	33,524
Insurance	133,492	111,738
Medical Insurance	125,515	118,063
Vehicles Expense	27,467	27,966
Freight	7,408	21,516
Appliance Disposal Fees	7,990	10,280
Repairs - Building	7,840	4,842
Repairs - Equipment	29,948	9,753
Rock Expense	7,535	10,119
Landfill Fuel Expense	65,389	56,598
Landfill Expenses	43,257	74,875
Recycling Expense	20,492	68,251
PCB Clinic Expenses	16,230	17,228
Depreciation	318,921	229,327
Amortization	3,361	3,362
Utilities	88,637	72,154
Engineering and Testing	26,972	20,255

CHEROKEE COUNTY SOLID WASTE COMMISSION  
 CHEROKEE, IOWA  
 STATEMENTS OF REVENUES AND EXPENSES  
 FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING EXPENSES - CONTINUED:		
Iowa Department of Natural Resources		
Tonnage Fees	\$ 65,539	\$ 68,213
Equipment Rent	6,299	15,500
Leachate	17,487	27,878
Office Supplies and Postage	4,613	6,624
Dues and Subscriptions	383	253
Professional Services	24,054	16,225
Medical Reimbursements	8,138	0
License, Fees and Permits	1,735	1,679
Closure and Postclosure Care Costs	155,555	42,408
Miscellaneous Expenses	<u>1,251</u>	<u>776</u>
TOTAL OPERATING EXPENSES	<u>\$2,003,063</u>	<u>\$1,787,448</u>
OPERATING (LOSS)	<u>\$ (164,465)</u>	<u>\$ (30,227)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	\$ 10,541	\$ 46,684
Land and Rental House Income	5,625	6,056
Insurance Proceeds	4,127	2,868
Gain on Sale of Equipment	0	150,535
Rental House Insurance	(715)	(666)
Rental House Depreciation	(1,068)	(1,068)
Rental Land Property Taxes	(1,410)	(1,450)
Interest Expense	<u>(180,829)</u>	<u>(177,953)</u>
NET NON-OPERATING REVENUES (EXPENSES)	<u>\$ (163,729)</u>	<u>\$ 25,006</u>
(DECREASE) IN NET ASSETS	<u>\$ (328,194)</u>	<u>\$ (5,221)</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	UNDESIG- NATED UN- RESTRICTED OPERATING FUND	INVESTMENT IN CAPITAL ASSETS	BOARD DESIG- NATED CAPITAL IMPROVE- MENTS/ EQUIPMENT FUND	RESTRICTED CLOSURE AND POST- CLOSURE FUND	DNR FEES RETENTION FUND	TOTAL
BALANCE - JUNE 30, 2008	\$1,752,073	\$ 444,922	\$136,124	\$304,166	\$ 45,670	\$2,682,955
Increase (Decrease) in Net Assets	(1,829,011)	1,813,623	2,580	7,313	274	(5,221)
Transfers -						
In	322,185	0	231,500	27,000	44,222	624,907
Out	<u>(302,722)</u>	<u>0</u>	<u>(302,000)</u>	<u>0</u>	<u>(20,185)</u>	<u>(624,907)</u>
BALANCE - JUNE 30, 2009	\$ (57,475)	\$2,258,545	\$ 68,204	\$338,479	\$ 69,981	\$2,677,734
Increase (Decrease) in Net Assets	(748,266)	414,305	993	4,643	131	(328,194)
Transfers -						
In	119,679	0	24,000	57,000	42,156	242,835
Out	<u>(123,156)</u>	<u>0</u>	<u>(74,679)</u>	<u>0</u>	<u>(45,000)</u>	<u>(242,835)</u>
BALANCE - JUNE 30, 2010	<u>\$ (809,218)</u>	<u>\$2,672,850</u>	<u>\$ 18,518</u>	<u>\$400,122</u>	<u>\$ 67,268</u>	<u>\$2,349,540</u>

See accompanying notes to financial statements



CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Gate Fees and Assessments	\$1,684,416	\$ 1,531,326
Cash Received from Recycling Sales	157,595	159,335
Cash Paid To Suppliers for Goods and Services	(838,796)	(1,005,816)
Cash Paid to Employees for Services	<u>(743,117)</u>	<u>(696,117)</u>
NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES	<u>\$ 260,098</u>	<u>\$ (11,272)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds From Loan	\$ 200,000	\$ 300,000
Principal Repayments	(333,285)	(131,578)
Purchase of Capital Assets	(589,415)	(1,716,459)
Proceeds From Sale of Capital Assets	0	210,500
Insurance Proceeds	4,127	2,868
Interest Payments	(181,704)	(177,338)
Proceeds From Rental of Property and Equipment - Net of Expenses	<u>2,432</u>	<u>2,872</u>
NET CASH (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (897,845)</u>	<u>\$ (1,509,135)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest Received	<u>\$ 15,015</u>	<u>\$ 48,886</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ (622,732)</u>	<u>\$ (1,471,521)</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,281,294</u>	<u>2,752,815</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 658,562</u></u>	<u><u>\$ 1,281,294</u></u>

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (164,465)	\$ (30,227)
Adjustments to Reconcile Operating		
Income (Loss) to Net Cash Provided by		
Operating Activities:		
Depreciation and Amortization	\$ 322,282	\$ 233,757
Closure and Postclosure Costs	155,555	42,408
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable	(4,429)	(66,560)
Decrease (Increase) in		
Miscellaneous Receivables	7,842	(3,368)
Decrease (Increase) in Prepaid		
Insurance	21,421	29,813
(Increase) in Prepaid Topcoat		
Expense	0	(3,436)
(Increase) in Cafeteria Plan	(253)	(406)
Increase (Decrease) in Accounts		
Payable	(44,507)	(6,800)
Increase (Decrease) in Payroll		
Taxes and Garnishments Payable	(3,385)	1,214
(Decrease) in Sales Tax Payable	(350)	(481)
Increase in Accrued Salaries		
and Vacations Payable	7,817	3,682
(Decrease) in Landfill Closure and		
Postclosure Care Cost Liability	(37,430)	(210,868)
TOTAL ADJUSTMENTS	\$ 424,563	\$ 18,955
NET CASH PROVIDED (USED) BY		
OPERATING ACTIVITIES	\$ 260,098	\$ (11,272)
COMPONENTS OF CASH - END OF YEAR:		
Cash in Bank	\$ 18,347	\$ 21,223
Cash in Bank - Board Designated -		
Equipment	18,518	498
Cash in Bank - DNR Tonnage Fees	67,268	69,981
Certificates of Deposit	154,622	784,149
Certificate of Deposit - Board		
Designated - Roof	0	25,516
Certificate of Deposit - Board		
Designated - Equipment	0	42,190
Certificates of Deposit - Restricted -		
Closure and Postclosure Costs	399,807	337,737
	<u>\$ 658,562</u>	<u>\$1,281,294</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION  
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FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
SCHEDULE OF NONCASH CAPITAL		
FINANCING TRANSACTIONS:		
Acquisition of Property and Equipment:		
Cost of Property and Equipment,		
Net of Trade-In	\$ 589,415	\$1,716,459
Loss on Trade-In	<u>0</u>	<u>0</u>
CASH PAID FOR PROPERTY		
AND EQUIPMENT	<u>\$ 589,415</u>	<u>\$1,716,459</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION  
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Cherokee County Solid Waste Commission owns and operates a sanitary solid waste landfill site, separation center and a pellet fuel recycling facility in Cherokee County, Iowa. The Commission is a proprietary fund type 28E organization and was established to provide for the economic collection and disposal of all solid waste produced or generated within each member Municipality and to cooperate in preventing the contamination of our natural resources. The Commission is composed of one representative from each of the eight member cities and one representative from Cherokee County. Members of the Commission are the County of Cherokee, the Cities of Cherokee, Aurelia, Quimby, Washta, Marcus, Cleghorn, Meriden, and Larrabee.

The Separation Center was started in October of 1989 to recycle solid waste materials. The pellet fuel recycling facility started operations during fiscal year ended June 30, 2010.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY - For financial reporting purposes, the Cherokee County Solid Waste Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. JOINTLY GOVERNED ORGANIZATION - The Commission also participates in a jointly governed organization, PCB Solid Waste Agency, whose purpose is to provide leadership in developing and preparing a joint comprehensive Solid Waste Management Plan and to assist in facilitating the disposal of any type of solid waste within the geographic area of the Agency.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. JOINTLY GOVERNED ORGANIZATION - Continued:

Plymouth, Cherokee and Buena Vista landfills are members of PCB Solid Waste Agency.

The Agency does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating Commissions.

C. BASIS OF PRESENTATION - The accounts of the Cherokee County Solid Waste Commission are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - The financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

E. ASSETS, LIABILITIES AND NET ASSETS - The following accounting policies are followed in preparing the Statement of Net Assets:

CASH, INVESTMENTS AND CASH EQUIVALENTS - The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the date of purchase, have a maturity date no longer than three months. The Commission did not have any short-term investments during the years ended June 30, 2010 and 2009.

RESTRICTED ASSETS - Funds set aside for payment of closure and postclosure care costs are classified as restricted.

CAPITAL ASSETS - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reported capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>ASSET CLASS</u>	<u>AMOUNT</u>
Building and Improvements	\$ 1,000
Equipment and Vehicles	\$ 1,000

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES (IN YEARS)</u>
Buildings	39
Land and Building Improvements	20 - 39
Equipment and Vehicles	5 - 15

CHEROKEE COUNTY SOLID WASTE COMMISSION  
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

E. ASSETS, LIABILITIES AND NET ASSETS - CONTINUED:

CAPITAL ASSETS - CONTINUED:

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2010 and 2009.

COMPENSATED ABSENCES - Commission employees accumulate a limited amount of earned but unused vacation and personal leave hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation and personal leave has been computed based on rates of pay in effect at June 30, 2010 and 2009.

ACCOUNTS RECEIVABLE - Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable at the end of the fiscal year. The allowance for doubtful accounts at June 30, 2010 and 2009 was \$-0- and \$-0-, respectively.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS:

The Commission's deposits in banks at June 30, 2010 and 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
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NOTE 2 - CASH AND INVESTMENTS - CONTINUED:

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Auditing Standard Board Statement No. 3, as amended by Statement No. 40.

NOTE 3 - LONG TERM DEBT:

Note payable consists of the following:

	<u>2010</u>	<u>2009</u>
Note payable to the Iowa DNR with no interest. Principal payments of \$3,051 were due quarterly through April 15, 2010 with the first payment due July 15, 2005. The note was for a new front end sorter in the recycling center and was financed by the Solid Waste Alternatives Program (SWAP). \$	0	\$ 12,206

Note payable to Cherokee County for an initial loan dated August 14, 2007 of \$2,920,000. The current interest rate is 5.45% and increases each year to a maximum of 6.25%. The loan matures June 1, 2018. Interest only payments are due each June 1<sup>st</sup> and principal and interest payments are due each December 1<sup>st</sup>. The note and the interest are payable from net revenues. The note is unsecured.



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## NOTE 3 - LONG TERM DEBT - CONTINUED:

INTEREST RATE	PRINCIPAL AMOUNT	MATURITY JUNE 1 <sup>ST</sup>	<u>2010</u>	<u>2009</u>
5.65%	\$245,000	2011		
5.75%	\$260,000	2012		
5.85%	\$275,000	2013		
5.95%	\$290,000	2014		
6.05%	\$330,000	2015		
6.15%	\$375,000	2016		
6.20%	\$395,000	2017		
6.25%	\$420,000	2018	\$2,590,000	\$2,820,000
Two notes payable to the Iowa DNR, \$150,000 with 3% interest and \$150,000 with 0% interest. The original contract is dated March 2007 but funds were not received until fiscal year ended June 30, 2009. Payments of \$11,316 are due quarterly through October 15, 2015 with the first payment due January 15, 2009.			<u>239,071</u>	<u>280,627</u>
TOTAL			\$2,829,071	\$3,112,833
LESS - Current Maturities			<u>287,120</u>	<u>283,762</u>
LONG TERM PORTION			<u>\$2,541,951</u>	<u>\$2,829,071</u>

The following is a schedule of future payments to be made concerning long term debt at June 30, 2010.

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2011	\$ 287,120
2012	302,700
2013	318,296
2014	333,908
2015	374,537
Thereafter	<u>1,212,510</u>
TOTAL FUTURE MINIMUM PAYMENTS	<u>\$2,829,071</u>

## NOTE 4 - CONTRIBUTED CAPITAL:

Contributed capital on June 30, 2010 and 2009 consists of:

	<u>2010</u>	<u>2009</u>
DNR Grant	\$375,000	\$375,000
In Kind Contribution		
From Lundell Manufacturing	<u>445,000</u>	<u>445,000</u>
	<u>\$820,000</u>	<u>\$820,000</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION  
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NOTE 5 - RENT INCOME:

The Commission has a short term operating lease on the house at the landfill site with an employee.

The Commission has an operating lease on 29 acres of land with unrelated parties. The lease agreement is for \$105 per acre. The acres may vary as the landfill uses the land. One-half of the payment is to be received on or before March 1st and the second half is due on or before November 1st. The lease agreement expires March 1, 2011. The total parcel of 80 acres of land has a book cost of \$280,000.

Land and rental house income resulted in income of \$5,625 and \$6,056 for the years ended June 30, 2010 and 2009, respectively.

The future minimum rental on the 29 acres or less depending on usage of land is as follows:

YEAR ENDED <u>JUNE 30,</u>	<u>AMOUNT</u>
2010	<u>\$ 2,969</u>

NOTE 6 - PENSION AND RETIREMENT BENEFITS:

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.3% and 4.1% of their annual covered salary and the Commission is required to contribute 6.65% and 6.35% of annual covered payroll for the years ended June 30, 2010 and 2009, respectively. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008, were \$40,211, \$37,629, and \$33,698, respectively, equal to the required contributions for each year.

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NOTE 7 - MAJOR CUSTOMER AND ECONOMIC DEPENDENCY:

Plymouth County Solid Waste Agency is a major customer of the Cherokee County Solid Waste Commission. Revenues from Plymouth County Solid Waste Agency accounted for \$280,505 of total revenues of \$1,838,598 (15%) for the fiscal year ended June 30, 2010, and \$274,892 of total operating revenues of \$1,757,221 (16%) for the fiscal year ended June 30, 2009. A 10 year contract is in effect from July 1, 2007 to July 1, 2017.

Harold Rawley Recycling Center is also a major customer of Cherokee County Solid Waste Commission. Revenues from the Harold Rawley Recycling Center accounted for \$382,600 of total revenues of \$1,838,598 (20%) for the fiscal year ended June 30, 2010, and \$425,663 of total revenues of \$1,757,221 (24%) for the fiscal year ended June 30, 2009.

NOTE 8 - RISK MANAGEMENT:

Cherokee County Solid Waste Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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NOTE 8 - RISK MANAGEMENT - CONTINUED:

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Cherokee County Solid Waste Commission's property and casualty contributions to the risk pool are recorded as expenses from its operating fund at the time of payment to the risk pool. The Cherokee County Solid Waste Commission's annual contributions to the Pool for the years ended June 30, 2010 and 2009 were \$26,276 and \$28,225, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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NOTE 8 - RISK MANAGEMENT - CONTINUED:

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, employee blanket bond, and a rental house. The Commission assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - CASH IN BANK - BOARD DESIGNATED:

The Commission has designated \$2,000 and \$2,000 per month as of June 30, 2010 and 2009, respectively to be deposited in a savings account or a certificate of deposit to be used for equipment purchases. The Board had designated a certificate of deposit as the roof replacement account. This was insurance proceeds received due to hail damage on the building's roof during the fiscal year ended June 30, 1995.

The fund was also used to transfer funds to the general checking account to pay operating expenses.

NOTE 10- SOLID WASTE TONNAGE FEES RETAINED:

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
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NOTE 10- SOLID WASTE TONNAGE FEES RETAINED - CONTINUED:

As of June 30, 2010 and 2009, the unspent amounts retained by the Commission and restricted for the required purposes totaled \$67,268 and \$69,981, respectively.

NOTE 11- RELATED PARTY TRANSACTIONS:

The Commission's related party transactions consisted of the following:

1. The Commission's vehicle maintenance and repairs were performed by a shop co-owned by the manager's son. These repairs totaled \$10,843 and \$4,416 for the years ended June 30, 2010 and 2009, respectively.
2. The Commission had a receivable from an employee of \$500 at June 30, 2009.
3. As stated in Note 5, the Commission has a short term operating lease on the house at the landfill site to an employee.

NOTE 12- CLOSURE AND POSTCLOSURE CARE COSTS:

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.



CHEROKEE COUNTY SOLID WASTE COMMISSION  
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NOTE 12- CLOSURE AND POSTCLOSURE CARE COSTS - CONTINUED:

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

June 30, 2010:

These costs for the Cherokee County Solid Waste Commission have been estimated at \$210,399 for closure and \$2,272,200 for postclosure, for a total of \$2,482,599 as of June 30, 2010, and the portion of the liability that has been recognized is \$1,158,350. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2010. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 73 years and the capacity used at June 30, 2010 is 5.36 percent. The following table provides a breakdown of closure and postclosure costs for each area:

Horizontal Expansion Cells	
A-1, A-2 and A-3	\$ 201,699
Material Recovery Facility Recycle Center	8,700
Horizontal Expansion Phase A and Phase B	1,149,300
Original Landfill Area Postclosure Costs	<u>1,122,900</u>
	<u>\$2,482,599</u>

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2010, assets of \$400,122 are restricted for these purposes, of which \$180,004 is for closure and \$220,118 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statements of Net Assets.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
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NOTE 12- CLOSURE AND POSTCLOSURE CARE COSTS - CONTINUED:

June 30, 2009:

These costs for the Cherokee County Solid Waste Commission have been estimated at \$103,419 for closure and \$2,143,800 for postclosure, for a total of \$2,247,219 as of June 30, 2009, and the portion of the liability that has been recognized is \$1,040,225. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2009. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 74 years and the capacity used at June 30, 2009 is 3.65 percent. The following table provides a breakdown of closure and postclosure costs for each area:

Horizontal Expansion Cells A-1 and A-2	\$ 94,766
Material Recovery Facility Recycle Center	8,653
Horizontal Expansion Phase A and Phase B	1,149,300
Original Landfill Area Postclosure Costs	<u>994,500</u>
	<u>\$2,247,219</u>

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2009, assets of \$338,479 are restricted for these purposes, of which \$158,873 is for closure and \$179,606 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statements of Net Assets.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund financial assurance mechanism. The Commission obtained a local government guaranty from Cherokee County on June 10, 1997 for the purpose of financing the postclosure costs of the landfill.



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NOTE 12- CLOSURE AND POSTCLOSURE CARE COSTS - CONTINUED:

On April 14, 2006 the Commission received a letter from the DNR. A horizontal expansion of the landfill was approved and annual deposits may be made using the actual permitted capacity that is available.

Chapter 567-113.14(8) of the IAC allows the Commission to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and post-closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
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## NOTE 13- CAPITAL ASSETS:

A summary of capital assets at June 30, 2010 and 2009 is as follows:

	<u>2010</u>			
	<u>BALANCE BEGINNING OF YEAR</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>BALANCE END OF YEAR</u>
Capital Assets Not Being Depreciated:				
Land	\$ 424,000	\$ 0	\$ 0	\$ 424,000
East Landfill	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CAPITAL ASSETS NOT DEPRECIATED	<u>\$ 424,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 424,000</u>
Capital Assets Being Depreciated:				
Buildings	\$2,191,507	\$ 0	\$ 300	\$2,191,207
Machinery and Equipment	3,951,294	216,064	0	4,167,358
Office Equipment and Furniture	15,132	0	0	15,132
Land Improvements	209,246	5,715	0	214,961
East Landfill	<u>1,001,739</u>	<u>379,229</u>	<u>0</u>	<u>1,380,968</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>\$7,368,918</u>	<u>\$ 601,008</u>	<u>\$ 300</u>	<u>\$7,969,626</u>
Less Accumulated Depreciation For:				
Buildings	\$ 503,093	\$ 61,728	\$ 300	\$ 564,521
Machinery and Equipment	1,737,270	178,881	0	1,916,151
Office Equipment and Furniture	13,480	467	0	13,947
Land Improvements	86,025	6,088	0	92,113
East Landfill	<u>81,672</u>	<u>72,824</u>	<u>0</u>	<u>154,496</u>
TOTAL ACCUMULATED DEPRECIATION	<u>\$2,421,540</u>	<u>\$ 319,988</u>	<u>\$ 300</u>	<u>\$2,741,228</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>\$4,947,378</u>	<u>\$ 281,020</u>	<u>\$ 0</u>	<u>\$5,228,398</u>
TOTAL CAPITAL ASSETS, NET	<u>\$5,371,378</u>	<u>\$ 281,020</u>	<u>\$ 0</u>	<u>\$5,652,398</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

## NOTE 13- CAPITAL ASSETS - Continued:

	<u>2009</u>			
	<u>BALANCE BEGINNING OF YEAR</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>BALANCE END OF YEAR</u>
Capital Assets Not Being Depreciated:				
Land	\$ 424,000	\$ 0	\$ 0	\$ 424,000
East Landfill	0	0	0	0
New Building-Construction in Progress	0	0	0	0
TOTAL CAPITAL ASSETS NOT DEPRECIATED	<u>\$ 424,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 424,000</u>
Capital Assets Being Depreciated:				
Buildings	\$2,104,266	\$ 87,241	\$ 0	\$2,191,507
Machinery and Equipment	2,231,162	2,066,626	346,494	3,951,294
Office Equipment and Furniture	15,827	0	695	15,132
Land Improvements	201,966	7,280	0	209,246
East Landfill	890,481	111,258	0	1,001,739
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>\$5,443,702</u>	<u>\$2,272,405</u>	<u>\$ 347,189</u>	<u>\$7,368,918</u>
Less Accumulated Depreciation For:				
Buildings	\$ 443,055	\$ 60,038	\$ 0	\$ 503,093
Machinery and Equipment	1,910,828	112,971	286,529	1,737,270
Office Equipment and Furniture	13,529	646	695	13,480
Land Improvements	79,447	6,578	0	86,025
East Landfill	31,510	50,162	0	81,672
TOTAL ACCUMULATED DEPRECIATION	<u>\$2,478,369</u>	<u>\$ 230,395</u>	<u>\$ 287,224</u>	<u>\$2,421,540</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>\$2,965,333</u>	<u>\$2,042,010</u>	<u>\$ 59,965</u>	<u>\$4,947,378</u>
TOTAL CAPITAL ASSETS, NET	<u>\$3,389,333</u>	<u>\$2,042,010</u>	<u>\$ 59,965</u>	<u>\$5,371,378</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION  
CHEROKEE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 14- COMMITMENTS - CONSTRUCTION IN PROGRESS:

The Commission has entered into various contracts at June 30, 2010 and 2009 for construction and expansion at the landfill:

2010

None

2009

Expansion - Cell

Balance of Construction Contract \$ 339,010

NOTE 15- OPERATING LEASE:

A compactor was leased on March 9, 2009. Terms of the contract were \$13,000 a month for a minimum rental period of two months and a maximum rental period of five months plus a \$1,500 delivery fee. The rent expense was \$40,500 for the year ending June 30, 2009. \$25,000 was paid by the insurance proceeds for a net rent expense of \$15,500.

NOTE 16- CONTINGENCY:

A fire destroyed the leased compactor (referred to in Note 15) in June of 2009. The lessor is requesting \$39,000 for fees associated with the lease. The Commission has hired an attorney regarding this matter.

INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Members of  
Cherokee County Solid Waste Commission

We have audited the accompanying financial statements of Cherokee County Solid Waste Commission, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 19, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cherokee County Solid Waste Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Cherokee County Solid Waste Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cherokee County Solid Waste Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and a deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Cherokee County Solid Waste Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Cherokee County Solid Waste Commission's internal control described in the accompanying Schedule of Findings as items (A), (B), (C), (E) and (F) to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings at item (D) to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherokee County Solid Waste Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Cherokee County Solid Waste Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit Cherokee County Solid Waste Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Cherokee County Solid Waste Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cherokee County Solid Waste Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURKHARDT & DAWSON, CPA's

Burkhardt + Dawson, CPA's  
Certified Public Accountants

November 19, 2010



CHEROKEE COUNTY SOLID WASTE COMMISSION  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that sometimes only one person has control over each of the following areas for the Commission:

1. Accounting System - record keeping for revenues and expenses, and related reporting.
2. Receipts - collecting, depositing, journalizing and posting.
3. Bank Reconciliation - preparation and maintenance of accounting records.
4. Payroll - changes to employee list, preparation and distribution

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Landfill should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We have hired new office staff to assist in handling the many tasks of the accounting procedures.

Conclusion - Response accepted.

(B) Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for the members of the Commission to make management decisions, reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

(B) Continued:

Response - We have talked with the manager about more schooling in GAAP and will look for a class to attend.

Conclusion - Response accepted.

(C) Payables and Capital Assets - During the audit, we identified material amounts of payables and capital assets additions not properly recorded in the Commission's financial statements. Adjustments were subsequently made by the Commission to properly include these amounts in the financial statements.

Recommendation - The Commission should implement procedures to ensure all payables and capital asset additions are identified and included in the Commission's financial statements.

Response - We will discuss this with the Commission Board members and will resolve such issues.

Conclusion - Response accepted.

(D) Management Vacation - We noted the allowed vacation accrual limit for a management employee has been exceeded.

Recommendation - The Board should discuss and document the status of unused vacation which exceeds the accrual limit.

Response - The Commission Board the will discuss the excessive vacation amount for the management employee.

Conclusion - Response accepted.

(E) DNR Loans - The Commission has two loans with the Department of Natural Resources. The first loan requires an annual report and the second loan requires quarterly reports to be submitted to the DNR. Various reports were not filed by the required due dates. The reports were filed after receiving correspondence from the DNR.

Recommendation - A system needs to be developed to monitor due dates so future reports are filed timely for both loans.

Response - We will write all important dates on the calendar and look at it daily; so as not to be late on due dates for future reports.

Conclusion - Response accepted.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

(F) Tonnage - Tonnage is not being weighed and properly recorded for waste taken from the separation center "leftovers" to the landfill. All items taken to the landfill should be weighed and properly recorded. Monthly landfill summary reports were not consistently prepared during the year. Some monthly summary tonnage reports tested did not agree to quarterly DNR reports.

Recommendation - All waste taken to the landfill must be weighed, properly recorded and DNR tonnage fees calculated. Monthly landfill summary reports should be prepared using the new excel spreadsheet.

Response - Since the audit, we have implemented using the excel sheet to record tonnages daily. The garbage truck has been weighed each time it goes from the Separation Center back room to the landfill.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

Other Findings Related to Statutory Reporting:

- (1) Questionable Expenses - No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense - No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Commission Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not. However, no bids were noted for switching insurance agents for ICAP insurance.

Chapter 28E.6 of the Code of Iowa states minutes should be provided to the newspaper within twenty days following the adjournment of the meeting. The publication should include a schedule of bills. The names and gross salaries of employees are required to be published annually.

Recommendation - Minutes and salaries should be published to comply with Chapter 28E.6 of the Code of Iowa. Bids should be obtained and documented when required.

Response - We will discuss with the Commission about the publishing of minutes and salaries. We will document bids when taken in the minutes.

Conclusion - Minutes and salaries should be published to comply with Chapter 28E.6 of the Code of Iowa.

- (4) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Commission's investment policy were noted.
- (5) Solid Waste Tonnage Fees Retainage - No instances of non-compliance with solid waste fees used or retained in accordance with Chapter 455B.310 of the Code of Iowa were noted.

CHEROKEE COUNTY SOLID WASTE COMMISSION  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

- (6) Financial Assurance - The Commission has demonstrated financial assurance for closure and postclosure care costs as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

	<u>POSTCLOSURE</u>	<u>CLOSURE</u>
Total estimated costs for postclosure care	\$2,272,200	\$ 210,399
Less: Balance of funds held in the local dedicated fund at June 30, 2009	<u>179,606</u>	<u>158,873</u>
	<u>\$2,092,594</u>	<u>\$ 51,526</u>
Estimated life of Landfill is 73 years per engineer		
Required payment into the local dedicated fund for the year ended June 30, 2010 per financial assurance report calculated by the engineer	\$ 39,577	\$ 18,096
Balance of funds held in the local dedicated fund at June 30, 2009	<u>179,606</u>	<u>158,873</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2010	<u>\$ 219,183</u>	<u>\$ 176,969</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2010	<u>\$ 220,118</u>	<u>\$ 180,004</u>

The local government guaranty was used in prior years for the Commission to demonstrate financial assurance for postclosure care costs. The Commission obtained the local government guaranty from Cherokee County on June 10, 1997.

On April 14, 2006 the Commission received a letter from the DNR. A horizontal expansion of the landfill was approved and annual deposits may be made using the actual permitted capacity that is available.

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year.